

Memorandum

To: Panel Members Date: June 26, 2003

From: Ron Tagami, Manager
Peter DeMauro, General Counsel Analyst: S. Lipkin

Subject: One-Step Agreement for **Office Depot, Inc.**
(www.officedepot.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Retail
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 42,000
 - In California: 3,100
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: NA

CONTRACT:

- Program Costs: \$219,489
- Substantial Contribution: \$0
- Total ETP Funding: \$219,489
- In-Kind Contribution: \$268,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles and Alameda
- Duration of Agreement: 24 months

SUBCONTRACTORS:

CIC Steps, Inc., Los Angeles, California

\$28,500 (for administration)

THIRD PARTY SERVICES:

Labhart Miles Consulting Group, Inc., assisted in the development of this application at a cost of \$10,000 which the Contractor states is based on a flat rate.

NARRATIVE:

Office Depot, Inc., is eligible for ETP funding under the out-of-state competition provisions outlined in Title 22, California Code of Regulations, Section 4416(a)(3) and (4) for a company which provides a service out-of-state and provides a service in the state in competition with providers of the same service which are located outside the state.

Office Depot, Inc., is a chain of office supply stores. Its retail locations sell mostly to small companies, home offices, and individual customers. Approximately 40 percent of the company's sales are generated by the Business Services Group (BSG) which concentrates on direct business-to-business bulk sales of office supplies. BSG employees will be receiving ETP-funded training.

The Contractor proposes to train 369 workers from BSG call centers. Office Depot's BSG group has three functions: Customer Service (call centers), Operations (distribution), and Sales (a direct business-to-business sales force). Call centers receive calls from all over the United States and employees spend approximately 65 percent of their time dealing with customers located outside California.

BSG was developed as a group in the early 1990's and has been expanding ever since. With increased use of the internet, BSG is continuing to grow. Currently, the company is working on establishing customer relationships and then providing customers with an interactive media through which they can procure office supplies quickly and effectively via internet portals, thereby linking customer's orders directly into Office Depot's fulfillment operations on-line. This process facilitates the trade between the company and its customers for mostly middle market companies. The company is committed to ensuring that its workers are resourceful and technologically up-to-date in the competitive office supply market.

In 2001, the Customer Services function within BSG underwent a major reconfiguration. As a result, over 25 small call centers dedicated to individual markets were consolidated into seven large call centers responsible for nationwide coverage of customer accounts. Three call centers are located in California: Torrance, Signal Hill, and Fremont. Workers from all three locations will participate in the proposed training.

In order to remain competitive, Office Depot must train and retain BSG workers in cutting edge skills. In addition to improving sales techniques, workers also must learn to educate customers on business products, and match customer needs with Office Depot products and solutions. Workers must become proficient in problem solving techniques and be able to operate in a team environment. Workers must become cross-trained in a continuous improvement environment and be able to attend to customer demands. This training will facilitate the company's goal of converting to a high performance workplace.

NARRATIVE: (continued)

The company proposes to train 369 workers in the Customer Service function of the BSG. Trainees will be trained in Computer Skills, Business Skills, Continuous Improvement, and Management Skills.

Computer Skills training for Customer Service Representatives, Leads, Special Order Liaisons, National Account Representatives, Research Specialists, Customer Service Managers, and Senior Customer Service Managers will give trainees the skills they need to become proficient in the use of the company's software and billing systems as well as skills they need to correctly process a credit or return. Trainees will be better equipped to work in the ever-changing marketplace more efficiently.

Business Skills training will provide Customer Service Representatives, Leads, Special Order Liaisons, National Account Representatives, Research Specialists, Customer Service Managers, and Senior Customer Service Managers with an emphasis on sales skills, interaction with customers, and project management. Workers will be prepared for expanded roles within the company. Communication and presentation skills and an increased awareness of new technologies will become a necessary part of every individual's job.

Continuous Improvement training will develop Customer Service Representatives, Leads, Special Order Liaisons, National Account Representatives, Research Specialists, Customer Service Managers, and Senior Customer Service Managers by giving them the skills necessary to be successful in a "virtual environment in which fellow employees and team members are located in other states and countries). Training in team-building and communicating in a "virtual" office environment will ensure smooth transitions for workers with the ultimate goal of serving customers.

Management Skills for Customer Service Managers and Senior Customer Service Managers will focus on preparing frontline managers in techniques to enhance their abilities to motivate staff, build teamwork and consensus, master goal-setting, and communicate effectively. These skills will provide managers with the management tools needed.

Frontline workers will complete 37 hours of classroom/laboratory training and 10 hours of Computer Based training from a menu curriculum. Frontline managers will complete 67 hours of classroom/laboratory training and 10 hours of Computer Based Training from a menu curriculum.

Supplemental Nature of Training

Office Depot is requesting training funds that supplement its current training rather than displacing training that the company normally provides. In recent years, Office Depot has provided training to its frontline staff in Order Entry, Basic Microsoft Office, and a very basic level of customer service training focusing mostly on phone etiquette. This training was not offered to all employees. The proposed training is different because it is based on "customer focused selling" in which the customer service representatives are more fully versed in all products that the company offers. The proposed training goes much further than training done in the past by teaching workers how to maximize order value and match products with the needs of the customer, in addition to teaching softer skills such as dealing with challenging customers and closing the deal.

Managers have received training in Leadership Excellence, Effective Feedback, and the Coach's Tool Kit. These modules will continue to be part of the Office Depot training, but will not be included in the ETP-funded training. For the next two years, the Contractor expects to spend over \$200,000 on this training.

With the focus of this proposed training being different than previous training, it centers on enhancing the continuous improvement philosophy and maximizing the talents of its workers building an efficient delivery system.

NARRATIVE: (continued)

Without ETP assistance, the company will be unable to offer this training in the form and manner proposed. Much of this proposed training would have to be delayed until a later time due to budget constraints. It is critical that the company gives this training now so that it may remain competitive.

In-Kind Contribution

The employer contribution totals \$268,000 for wages paid to trainees while in training.

COMMENTS:

The Contractor agrees that during ETP-funded training, trainees will not produce products or provide services which will ultimately be sold.

Managers who set company policy are not included in this proposal.

Out of a total of 369 trainees, 363 trainees meet the definition of frontline worker. There are six Senior Customer Service Managers.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement if funds are available and the project meets Panel priorities based on Office Depot's stated need to provide employees with skills to enhance its ability to remain competitive, to grow, and to maintain a continuing relationship with its customers. The implementation of this proposed training will enable the company to remain viable in the California economy.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 1 Retrainee	Computer Skills, Business Skills, Continuous Improvement	337	37	10	0	\$561	\$12.00-\$18.20
Job 2 Retrainee	Computer Skills, Business Skills, Continuous Improvement, Management Skills	32	67	10	0	\$951	\$18.48-\$30.71
					<u>Range of Hourly Wages</u>		
					\$12.00-\$30.71		
					<u>Prevalent Hourly Wage</u>		
					\$13.00		
					<u>Average Cost per Trainee</u>		
					\$756		
<u>Health Benefit used to meet ETP minimum wage:</u>					<u>Turnover Rate</u>	<u>% of Mgrs & Supervisors to be trained:</u>	
Although the employer will pay health benefits for its employees, the hourly contribution is not being used to meet the ETP minimum wage requirement.					19.88%	9%	

Office Depot, Inc.
Menu Curriculum

Job #1
Class/Lab

Hours
Class/Lab:

37 *Trainees will receive any of the following:*

Computer Skills:

- Process/Systems training
- Returned products

Business Skills:

- TLC (*Tender Loving Care*) Network
 - Dedicated account base that requires special handling
- Sales Training
- Substitutions & Alternates
- Defusing Angry Customers
- Introduction to New Product Lines
- Customer Focus Selling
- Soft Skills Labs
 - Proactive Customer Service
 - Customer Service with a Smile
 - Creative Problem Solving
 - Rapport building
 - Curt to Courteous

Continuous Improvement:

- Organizational Transformation
- Change Management Skills
- Team Building
- Understanding Roles
- Celebrating Successes
- Managing Conflict

Office Depot, Inc.
Menu Curriculum

Job #1
Computer Based Training

Hours

CBT:

10

Trainees will receive any of the following:

Computer Skills:

- Outlook 2000
- Microsoft Word 2000
- Word 2000 Intermediate
- Excel 2000
- Excel 2000 Intermediate
- PeopleSoft
- PowerPoint
- Personal Computer Skills

Business Skills:

- Dealing with Challenging Customer Situations
- Selling Skills
- Fanatical Customer Service (includes five modules, as follows: *Building Rapport, Effective Communication, Responsiveness, Retention, Handling Challenging Customer Situations*)
- New Product Introductions
- Instant Credit Application Module

Continuous Improvement:

- A is for Assertiveness (Quality Evaluation Process)
- Beating Burnout:
 - Effectively Managing Your Workload/Taking Risk
- Understanding Conflict
- Cross-Training in warehouse and transportation providing information on what the “back-end” departments do to support customers such as selection of products from inventory, packaging, and shipping
- Click 2 Coach -
 - Quality Evaluation Process

Office Depot, Inc.
Menu Curriculum

Job #2
Class/Lab

Hours

Class/Lab:

67 *Trainees will receive any of the following:*

Computer Skills:

- Process/Systems training
- Returned products

Business Skills:

- TLC (*Tender Loving Care*) Network
 - Dedicated account base that requires special handling
- Sales Training
- Substitutions & Alternates
- Defusing Angry Customers
- New Product Introductions
- Managing Conflict
- Evaluating the Call
- Evaluating Performance
- Soft Skills Labs
 - Proactive Customer Service
 - Customer Service with a Smile
 - Creative Problem Solving
 - Rapport building
 - Curt to Courteous

Management Skills:

- Leadership Essentials
- Quality Concepts & Problem Solving
- Quality Depot

Continuous Improvement:

- Organizational Transformation
- Team Building
- Understanding Roles
- Leading Change
- Celebrating Successes

Office Depot, Inc.
Menu Curriculum

Job #2
Computer Based Training

Hours

CBT:

10

Trainees will receive any of the following:

Computer Skills:

- Personal Computer Skills
- PeopleSoft
- Outlook 2000
- Microsoft Word 2000
- Excel 2000

Management Skills:

- Introduction to Leadership Essentials
- Giving Recognition
- Fair Management Practices
- Giving & Receiving Feedback

Business Skills

- Dealing with Challenging Customer Situations
- Selling Skills
- Fanatical Customer Service (includes: *Building Rapport, Effective Communication, Responsiveness, Retention, Challenging Customer Situations*)
- New Product Introductions
- Instant Credit Application Module

Continuous Improvement Skills:

- Code of Ethics
- Gaining Commitment to Pre-Set Goals
- Coaching: Bringing Out the Best in Others
- Click 2 Coach
- A is for Assertiveness (Quality Evaluation Process)
- Beating Burnout
- Understanding Conflict
- Cross-Training in warehouse and transportation providing information on what the “back-end” departments do to support customers such as selection of products from inventory, packaging, and shipping